

December 13, 2022

Ministers Rushton, MacMaster and Halman,

On behalf of the Nova Scotia Power (NSP) team and our customers, I am requesting a meeting to discuss the very important issues facing our province. I know we have a shared commitment to doing the right thing for Nova Scotians, not only today but into the future. However, we remain deeply concerned that political intervention in the regulatory process, lack of consultation with NSP on energy and climate policy and continued comments in the media not only highlight the lack of a productive working relationship, but they also risk further exacerbating an already difficult situation. In the face of the climate crisis and the important work ahead, it's in the best interests of Nova Scotians if we find solutions together.

As you know, Bill 212 directly resulted in a strong response from capital markets and extraordinary credit downgrade for NSP, directly and indirectly imposing additional costs on NSP customers. Leading up to the passage of Bill 212, the NSP team made every effort to advise your government that the unprecedented interference into an independent regulatory process would result in the credit downgrade that has now happened. It is estimated that the downgrade will cost Nova Scotians \$20-30 million annually once all existing debt is refinanced.

Unfortunately, this situation is not stabilized and any further political interference continues to present additional risk and could lead to more actions from rating agencies and more unnecessary costs for customers.

I'd also like to address recent comments in the media by Minister Rushton. Suggesting that NSP should simply use "profit" to cover the increased costs resulting from Bill 212 is misleading. This is not the way costs are managed in investor-owned regulated utilities. Consistent with every single regulated utility in North America, all costs are recovered in customer rates, including costs that are imposed by government actions, like those associated with Bill 212.

It is important to understand that as a rate-regulated, cost of service utility, our business is appropriately held to a standard by the regulator that ensures every decision and cost is in the best interest of customers. This is unlike almost any other private company, including power developers and independent power producers in the province.

Any return to shareholders is set by the regulator at a level that is considered "reasonable" with the goal to minimize costs to customers while still enabling the attraction of the capital needed for investment in the system. The capital investments we make, the costs we incur, and any profit earned are scrutinized for reasonableness by the regulator. Any return that is paid to

shareholders is not guaranteed, it must be earned through prudent management of costs, and this is an integral part of the rate-setting process done by the regulator.

The expectation of a reasonable return for investors is what allows for the raising of capital at the lowest possible cost, and this is what then enables us to invest in the system and to build a modern resilient grid that will facilitate the adoption of more renewables, increase reliability for customers, enable the closure of coal units and invest in new technologies -- all at the lowest cost for customers.

Just as a steady income is required for an individual to obtain a mortgage, a predictable return is required for a utility to raise capital. Without that return, investors will not provide the capital necessary to operate and improve the system.

Over the past twelve years, NSP has invested a total of \$3.7 Billion of capital in the electricity system of the province. That is over \$310 million invested in the system each year to benefit our customers. This is level of investment that takes place when investors have confidence in our company and in the independent regulator, and it is an amount that far exceeds the reasonable 'profit' set and controlled by the independent regulator.

We understand that no one wants to see an increase in electricity rates but it's a reality given the need to invest in a cleaner and more resilient energy system. It is also a reflection of the current economic conditions, where the combined impacts of high global fuel prices and inflation are driving the costs higher in all jurisdictions. The current General Rate Application before the regulator is the first in ten years. It's a critical time at the utility and the political intervention of Bill 212 just delays needed investment and creates a "bow wave" of costs down the road for customers, meaning that in future the costs and necessary rate increases will be higher than if we tackle these challenges together now.

The NSP team works incredibly hard for Nova Scotians each and every day. We've been executing on a strategy to build a greener energy system in NS for almost 20 years – it's not just what we do, it's part of our culture. While the Government's climate plan has a lot of the right ideas, as the owners and operators of the province's energy grid, we have an important role to play in Nova Scotia's energy transition. This is a role that we take very seriously and it's a reality that extends beyond the issues of the day. We are concerned that there is a disconnect between what the government would like to achieve in their climate plan and Bill 212 which restricts the investments the utility can make in order to help facilitate the achievement of the goals.

There is important and urgent work ahead for Nova Scotia. We need your government to engage with us directly in a more positive and productive way as we move forward. We want to work constructively with you and your colleagues to develop meaningful, long-term, and enduring solutions for the province. We can achieve better outcomes for customers if we work together. That's what Nova Scotians expect of both of us.

I respectfully ask that we meet as soon as possible.

Yours truly,



Peter Gregg
President & CEO
Nova Scotia Power

Cc: Premier Tim Houston
Deputy Minister for NRR
Deputy Minister of Finance
Deputy Minister of Environment and Climate Change